

“A Study on Future Plan for Increasing Financial Literacy Among People”

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Abstract

The growth of the development of any country depends on its financial system. For achieving the goal of the financial system, there is one accurate solution which is financial literacy. The relationship between financial literacy and financial inclusion is interrelated. In a broader perspective, financial literacy can be stated as “understanding of economics and how economic conditions and circumstances affect household decisions” (Worthington, 2006) and these decision directly and indirectly affect the financial system so this paper try to focus on the solution for increasing financial literacy among people. The objectives of this paper are as follow 1. To Study the initiative taken by Financial Regulators in India. 2. To provide future plan for increasing financial literacy among people through proposed School level Curriculum. 3. To analyze the impact of proposed School level Curriculum on Financial Literacy among people. The conclusion of this paper is that if we add the basic topic in school level curriculum then this will automatically enhance the investment behavior of people and will ultimately results in financial well being of individuals.

Keyword: Financial Literacy, Financial Regulators, School level Curriculum, personal management of finances.

1. INTRODUCTION

The growth of the development of any country depends on its financial system. For achieving the goal of the financial system, there is one accurate solution which is financial literacy. The relationship between financial literacy and financial inclusion is interrelated. Financial literacy is an mechanism that will assist achieving extensive financial inclusion and hence financial freedom .Financial literacy is nothing but knowledge about personal management of finances. It gives you the twin benefit of protecting you from financial frauds as well as planning for financially secure future 1.(Kumari Sweta).As financial literacy is increased financial inclusion is decreased so for increasing financial literacy ,the basic knowledge of financial term should be introduced at the school level, if from the school level people aware regarding financial literacy then they will be able to take appropriate decisions regarding saving and investment, budget, pension funds etc. now it is the need of the hour that financial education should start at school as early as possible as students are the future citizens , they should be educated about financial matters.

2. OBJECTIVE OF THE STUDY

1. To Study the initiative taken by Financial Regulators in India.
2. To provide future plan for increasing financial literacy among people through proposed School level Curriculum.
3. To analyze the impact of proposed School level Curriculum on Financial Literacy among people.

3. REVIEW OF LITERATURE

2.(Albreedy & Gharlegghi, 2015) found empirical results which depicted that there is a significant relationship between independent variables of education, and money attitude toward the dependent variable of financial literacy, while no relationship was found between financial socialization agents and financial literacy. Another study analyses the level of financial literacy among the college students and to determine the need for financial literacy programs on college campus, and current student's desires for these programs. This paper seeks to examine the role of Jnana Jyothi Financial Literacy Trust and their literacy programs in developing the financial knowledge among the college students 3.(Rizwan, Sathik, & Kumar, 2015). 4.Aggarwal & Gupta,2014 also identified areas where financial literacy may be lacking. Authors asserted that the determination of critical areas will assist educators, regulators and financial institutions to design financial planning courses with greater significance in helping adults to achieve greater financial freedom and be better equipped for retirement .5.(Chen & Volpe) found that those students with a non-business major and who were female, in a lower class rank, under the age of 30 and

with little work experience had lower levels of knowledge. The women are more likely to be dissatisfied with their finances than men. A woman's concerns about her personal finances are more likely to affect her work performance reported by 6. **(Hira & Mugenda, 2000)**. Surveying financial literacy among college students, researchers found out in a study that women generally have less knowledge about personal finance topics. It was observed that women generally have less enthusiasm, lower confidence and less willingness to learn about personal finance topics than men do. One more study aims to analyze the gap between financial literacy and saving/investment behavior among the working women. The findings of the study shows that women have expressed high degree of awareness 7. **(Mathivanan & Mohanaranjani, 2013)** Financial literacy of women also diverges among age groups in that elder women tended more likely to have less financial literacy scores concluded by 8. **(Lusardi & Mitchell, Planning and Financial Literacy: How do women fare?, 2008)**. The males know more about insurance and personal loans, but know less about overall financial management than females founded by 9. **(Danes & Hira, 1987)**. Another study takes into accounts the different dimensions of financial literacy and education in India i.e. financial education, its relevance, determinants and, role of regulatory authorities in India. The study concludes that the strategy for improving financial well-being of individuals in India should be focusing the young investors 10. **(Kumar & Anees, 2013)**. An overview of the meaning and measurement of financial literacy is presented to highlight current limitation and assist researchers in establishing standardized, commonly accepted financial literacy instruments 11. **(Huston, 2010)**. Some of these studies have suggested that gender is a significant variable impacting on the level of financial literacy. The purpose of this pilot study was to explore the validity of the research outcome of 12. **(Chen and Volpe 2000)** in an Australian context. To this end the study concentrates on determining the level of financial literacy among Australian undergraduate business students at the University of Western Sydney 13. **(Wagland & Taylor, 2009)**

4. INITIATIVE TAKEN BY FINANCIAL REGULATORS FOR INCREASING FINANCIAL LITERACY:

OECD-The OECD has brought out "Recommendations on principles and good practices for financial education and awareness" which is furnished below:

- Government and all stakeholders concerned should promote unbiased, fair and coordinated financial education.
- Financial education should start at school, for people to be educated as early as possible.
- Financial education should be a part of the good governance of financial institutions whose accountability and responsibility should be encouraged.

- Financial education should be clearly distinguished from commercial advice; codes of conduct for the staff of financial institutions should be developed.
- Financial institutions should be encouraged to check that clients read and understand information especially when related to long term commitments or financial services with potentially significant financial consequences.
- Financial education programmes should focus particularly on important life planning aspects, such as basic savings, debt, insurance and pensions.

RBI

- Reserve bank of India has undertaken a project entitled “project financial literacy”
- This project disseminate information regarding the central bank and the general banking concepts to various target groups, including school and college students, women, rural and urban poor, defense personnel and senior citizens.
- The project has been implemented in two modules, one module focusing on the economy, RBI and its activities, and second module focus on general banking.
- It is disseminated to the target audience with the help of banks, local government machinery, schools and colleges through presentations, pamphlets, brochures, films and also through RBI’s website.

SEBI

- securities exchange board of India has embarked financial education on a nationwide campaign
- To undertake financial education to various segments viz . School students, college students, working executives, middle income group, homemakers, retired personnel SEBI has empanelled resource persons throughout India.
- These SEBI certified resource persons organise workshop to the target segments on various aspects like savings, investment, financial planning, banking, insurance, retirement planning etc
- More than 3500 workshops has been conducted in various states covering around two lakh and sixty thousand participants
- Investors education programs are conducted by SEBI through investor associations all over the country.
- Regional seminars are conducted by SEBI through various stakeholders viz. Stock exchanges, depositories, Mutual fund association ,Association of merchant bankers, etc

- Under “visit SEBI” programme, school and college students are encouraged to visit SEBI and understand its functioning.

IRDA

- Insurance regulatory and development authority has taken various initiatives in the area of financial literacy.
- Awareness programme has been conducted on radio and television and simple messages about the rights and duties of policy holders, channels available for dispute redressal etc have been disseminated through television, radio as well as print media.
- IRDA conducts an annual seminar on policy holder protection and welfare and also partially sponsors seminars on insurance by consumer bodies.
- IRDA has got a pan India survey on awareness levels about insurance carried out through the NCAER .
- IRDA has also brought out publications of ‘policy holder hand books’ as well as a comic book series on Insurance.

PFRDA

- The pension fund regulatory and development authority has been engaged in spreading social security messages to the public.
- PFRDA has developed FAQ on pension related topics on its web and has been associated with various non government organizations in India.
- PFRDA has issued advertisements in print media and electronic media through radio and television.
- PFRDA appointed intermediaries are called Aggregators who are directly responsible for pension awareness mostly in vernacular languages and in line with socio-economic sensibilities

5. PROPOSED SCHOOL LEVEL CURRICULUM ON FINANCIAL LITERACY

Table-1 represents the proposed curriculum for financial literacy which should be included in the syllabus at school level. These topics may be very beneficial for all the people of the society. They can able to take decision regarding investment and their day to day financial decision.

Table 1: Proposed curriculum for financial literacy to be taught at school level

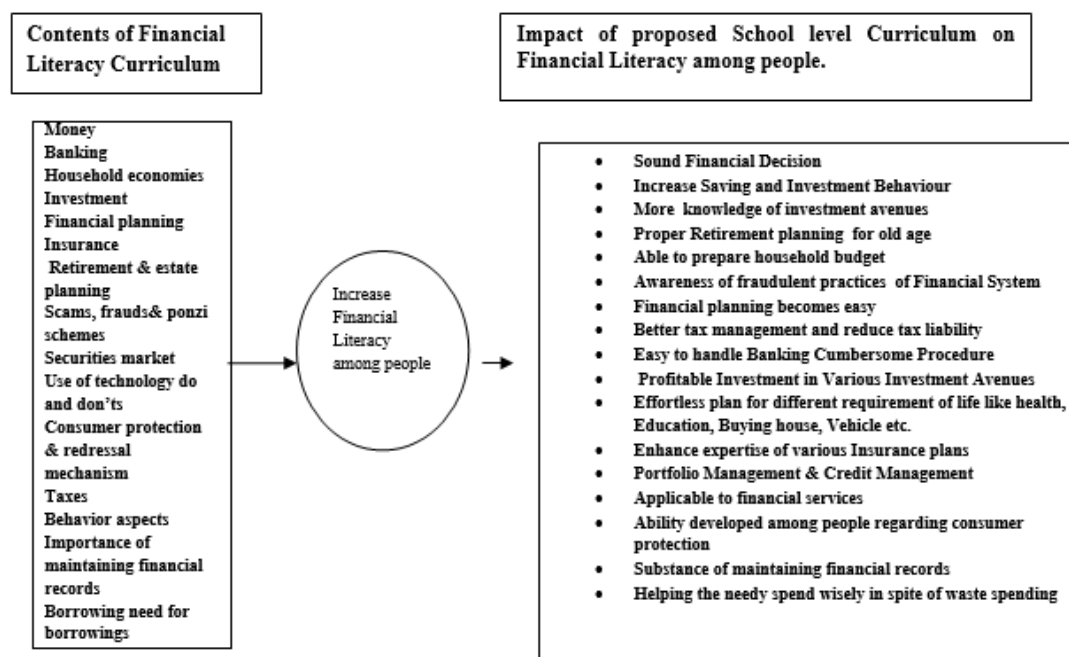
S.No	Topics	Proposed curriculum to be taught at school level for increasing financial literacy
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1	Money	History, barter system, importance and concept of money: coins, paper money, plastic money, barter
2	Banking	Definition, role of banks in growth of saving and investment, types of banks, services offered by banks: deposit & loans, types of a/c, opening a bank a/c, how to transact with business, kyc norms: A/C opening address proof how to read a bank statement, banking products & services, net banking, calculating interest: saving, fd, simple, compound interest, power of compounding loans, types of loans, definition of emi, calculation of EMI, difference between banks & money lenders, micro finance, banking complaints process, ombudsman, basic of foreign exchange, importance & use of Foreign Exchange, check counterfeit currency, cibil
3	Household Economies	Earnings, nature of earnings, needs & wants, listing of expenses, list to save money, expenditure cost, price & inflation, saving & thrift, what to save is what you earn, borrowing, investment, interest rate.
4	Investment	Piggy bank, principles of investment: safety, liquidity & return, bank saving: FD, RD, post office savings, pomis, nsc, ppf, nps bonds, debentures, shares, mutual fund, gold & silver, real estate, arts and other investments, commodities, asset allocation, risk & return, basics of investment: liquidity, credit, compounding & time value of money, nominal & real return, effect of taxes, long term v/s short term
5	Financial planning	Meaning, household financial health check up, important life stages, education, medical and other emergencies, social obligations, goal setting, budgeting, marriage, buying a house, buying a vehicle, plan a vacation, retirement planning, price of procrastination
6	Insurance	Meaning, need and purpose, loss protection, life, non life and health, benefits of insurance, term plans, investment plans, hybrid plans -ULIP etc, agents, advisors, role of insurance companies, regulator - IRDA, ombudsman, how to take a new policy, how to revive old policy, transaction cycle, nomination, assignment, claims settlement, exclusions, difference between insurance and investment
7	Retirement & estate planning	Concept, ppf, epf, gratuity, nps, scss, financial need after retirement, three stages: saving, accumulating, & dissaving; calculation of corpus required after retirement, protection from inflation, reverse mortgage, definition of will, making a will
8	Scams, frauds & ponzi schemes	Free trips, insider trading, money laundering, phishing mail about winning a lottery, price rigging, dabba trading, bogus companies, multilevel marketing schemes not regulated by anyone, real estate frauds, banking & credit card scams, preventive measures from getting duped.
9	Securities market	Entrepreneurship, forms of business enterprises, company definition, shares, primary market - reading a prospectus, what to read, secondary market, issuers, investor and intermediaries, regulator - role of SEBI, dealing in securities market, demat

		account and depository, asba, broker, stock exchange, grievance and redressal, financial advisor, ca, cfp, cpfa, basic terms and processes in securities market, market rumors and tips, sources of reliable information, what are indices (SENSEX and nifty), investment v/s speculation
10	Use of technology and don'ts	Password protection, neft and rtgs ATM, online trading, internet banking, need for keeping mobile number with banks, three in one account, need of protecting your online account, functioning of stock exchange, depository working mechanism, algorithmic trading financial functions using excel
11	Consumer protection & redressal mechanism	Rights of consumers, applicable to financial services, filing a complaint, complaint to entity concerned, ombudsman, regulator, arbitration, consumer courts, govt. websites (PG portals), investors association.
12	Taxes	Meaning, need, types of taxes, how tax impact income, income, wealth and gift tax, service tax, stt, stamp duty, tax planning v/s tax evasion, tax rates, tax free bonds, tax saving investment
13	Importance of maintaining financial records	Pan and its utility, aadhar card, demat account, bank statements and passbooks, insurance policies, tax return, property documents, helpline numbers of service providers
14	Behavior aspects	Concept of needs and wants, helping the needy spend wisely v/s waste spending, conspicuous consumption-lavish, impulsive spending, what you save is what you earn, using money responsibly, avoiding cash payments, insisting on bills, dangers of excessive borrowing, repayment of loans, make informed choices, ownership of your financial decision, take care of your old ones, tax payment, insider trading, up keep your financial records, free advice may be injurious.
15	Borrowing need for borrowings	Need for borrowing source of borrowing, merit and demerits of borrowing, how much to borrow, avoid life of credit, comparing interest rate on loan offering, importance of timely payment, avoid default, avoid borrowing for conspicuous consumption credit cards - merits and demerits

Source: <https://www.rbi.org.in/scripts/PublicationDraftReports.aspx?ID=675>

Figure-2 signifies the impact of the topic which shows the direct and positive relationship between Investment decision and capabilities of Investors. These topics regarding investment decision are easy but due to lack of knowledge of these topics they face difficulties in understanding financial instrument which are beneficial for them as a result they invest in low return financial instrument and sometimes they bear loss. If these topics included in the syllabus at school level and students are aware already about the all financial terms then in future they will be able to face such kind of problem and escape from risk. The impacts of these topics which are helpful in increasing financial literacy among people are discussed below:

Figure:2: Theoretical Research Model for increase Financial Literacy among people.

Source: <https://www.rbi.org.in/scripts/PublicationDraftReports.aspx?ID=675>

6.CONCLUSION-

If our youth will be educated about financial literacy ,then this will be beneficial for our society, individual and whole community but very fewer people are aware about it . When our youth will gain the required skill then this will bring positive attention to the school as well as community. Promoting financial literacy can reap many benefits for the educational institution which also include student recruitment and retention, building awareness among community members and the media and fundraising through grant and sponsorship opportunities, when financial literacy programmes will be included in the school curriculum then this will open new doors for youth as well. For a success of any financial literacy programmes there should be a motivated teacher, ample resources, relevant curriculum, and involvement of community. Here are some principles which should be kept in mind while preparing an effective financial literacy programme :

- Clear mission and vision
- Connected to the standards
- Relevant
- Community focused

- Integrated with other curriculum areas
- Supported with adequate resources
- Continuous evaluation for effectiveness
- Learner centered
- Effective delivery

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